ApexCPE.com

FINAL EXAM

Course # 171043
Full Disclosure In Financial Reporting

based on the electronic .pdf file(s):

Full Disclosure In Financial Reporting
by: Delta CPE, 2014, 77 pages

4 CPE Credit Hours
Accounting & Auditing

This exam sheet is made available for your convenience in answering questions while offline. Please note that you will still need to enter your answers on the online exam sheet for grading.

Instructions are provided at the end of this document.

Chapter 0 - Course Material

1. The full disclosure principle, as adopted by the accounting profession, is best described by which of the following?
   - ______ All information related to an entity's business and operating objectives is required to be disclosed in the financial statements.
   - ______ Information about each account balance appearing in the financial statements is to be included in the notes to the financial statements.
   - ______ Enough information should be disclosed in the financial statements so a person wishing to invest in the stock of the company can make a profitable decision.
   - ______ Disclosure of any financial facts significant enough to influence the judgment of an informed reader.

2. Which of the following should be disclosed in a Summary of Significant Accounting Policies?
   - ______ Types of executory contracts.
   - ______ Amount for cumulative effect of change in accounting principle.
   - ______ Claims of equity holders.
   - ______ Depreciation method followed.

3. An example of an inventory accounting policy that should be disclosed in a Summary of Significant Accounting Policies is the
   - ______ Amount of income resulting from the involuntary liquidation of LIFO.
   - ______ Major backlogs of inventory orders.
   - ______ Method used for pricing inventory.
   - ______ Composition of inventory into raw materials, work-in-process, and finished goods.

4. The focus of ASC 235-10-05 and 50-3, Notes to Financial Statements: Overall (APB Opinion No. 22, Disclosure of Accounting Policies) is on the disclosure of accounting policies. This information is important to financial statement readers in determining
   - ______ Net income for the year.
   - ______ Whether accounting policies are consistently applied from year to year.
   - ______ The value of obsolete items included in ending inventory.
   - ______ Whether the working capital position is adequate for future operations.

5. Which of the following facts concerning fixed assets should be included in the summary of significant accounting policies?
   - ______ Composition of the fixed assets, but not the depreciation method
   - ______ Both the depreciation method and the composition
   - ______ The depreciation method, but not the composition
   - ______ Neither the depreciation method nor the composition

6. A segment of a business enterprise is to be reported separately when the revenues of the segment exceed 10 percent of the
   - ______ Total combined revenues of all segments reporting profits.
   - ______ Total revenues of all the enterprise's industry segments.
   - ______ Total export and foreign sales.

______ Combined net income of all segments reporting profits.

7. Terra Co.'s total revenues from its three operating segments were as follows: Lion sold $70K to external customers and had $30K of intersegment sales; Monk sold $22K to external customers, and $4K of intersegment sales; Nevi sold $8K to external customers and had $16K of intersegment sales. Total revenue for Terra Co was $150K. Which operating segment(s) is(are) deemed to be (a) reportable segment(s)?

   ______ None.

   ______ Lion only.

   ______ Lion and Monk only.

   ______ Lion, Monk, and Nevi.

8. Correy Corp. and its divisions are engaged solely in manufacturing operations. The following data (consistent with prior years' data) pertain to the industries in which operations were conducted for the year ended December 31, Year 2: SEGMENT A = $10M revenue, $1.75M profit, and $20M in assets; SEGMENT B = $8M revenue, $1.4M profit, and $17.5M in assets; SEGMENT C = $6M in revenue, $1.2M in profit and $12.5M in assets; SEGMENT D = $3M revenue, $.550M in profit, and $7.5M in assets; SEGMENT E has $4.25 in revenue, $.675 in profit, and $7M in assets; SEGMENT F = $1.5M revenue, $.25 in profit, and $3M in assets. Total Revenue = $32.75M, Total Profit = $5.8M, and Total Assets = $67.5M. In its segment information for Year 2, how many reportable segments does Correy have?

   ______ Three.

   ______ Four.

   ______ Five.

   ______ Six.

9. In presenting segment information, which of the following items must be reconciled to the entity's consolidated financial statements?

   ______ Revenue, Operating Profit (Loss) and Identifiable Assets

   ______ Operating Profit (Loss) and Identifiable Assets, but not Revenue

   ______ Revenue and Identifiable Assets, but not Operating Profit (Loss)

   ______ Revenue and Operating Profit (Loss), but not Identifiable Assets

10. Lemu Co. and Young Co. are under the common management of Ego Co. Ego can significantly influence the operating results of both Lemu and Young. While Lemu had no transactions with Ego during the year, Young sold merchandise to Ego under the same terms given to unrelated parties. In the notes to their respective financial statements, should Lemu and Young disclose their relationship with Ego?

    ______ Both Lemu and Young should disclose their relationship with Ego.

    ______ Only Lemu needs to disclose its relationship with Ego.

    ______ Only Young needs to disclose its relationship with Ego.

    ______ Neither Lemu nor Young need to disclose their relationship with Ego.

11. Dex Co. has entered into a joint venture with an affiliate to secure access to additional inventory. Under the joint venture agreement, Dex will purchase the output of the venture at prices negotiated on an arm's-length basis. Which of the following is(are) required to be disclosed about the related party transaction: I) The amount due to the affiliate at the balance sheet date; II) The dollar amount of the purchases during the year.

    ______ I only.

    ______ II only.

    ______ Both I and II.

    ______ Neither I nor II.

13. GAAP pertaining to disclosure of long-term obligations does not apply to an unconditional purchase obligation that is cancelable under which of the following conditions?

- ______ Upon the occurrence of a remote contingency.
- ______ With the permission of the other party.
- ______ Under a replacement agreement signed by the same parties.
- ______ Upon payment of a nominal penalty.

14. If an unconditional purchase obligation is NOT presented in the balance sheet, certain disclosures are required. A disclosure that is NOT required is

- ______ The nature and term of the obligation.
- ______ The variable components of the obligation.
- ______ The imputed interest necessary to reduce the unconditional purchase obligation to its present value.
- ______ The amounts purchased under the obligation for each period an income statement is presented.

15. Whether recognized or unrecognized in an entity's financial statements, disclosure of the fair values of the entity's financial instruments, such as derivatives, is required when

- ______ It is feasible to estimate those values and aggregated fair values are material to the entity.
- ______ The entity maintains accurate cost records and aggregated fair values are material to the entity.
- ______ Aggregated fair values are material to the entity and credit risk has been appropriately hedged.
- ______ Individual fair values are material to the entity or any of the instruments are accounted for as derivatives.

16. Which of the following subsequent events would require adjustment of the accounts before issuance of the financial statements?

- ______ Loss of plant as a result of fire
- ______ Changes in the quoted market prices of securities held as an investment
- ______ Loss on an uncollectible account receivable resulting from a customer’s major flood loss
- ______ Loss on a lawsuit, the outcome of which was deemed uncertain at year end.

17. Zero Corp. suffered a loss that would have a material effect on its financial statements on an uncollectible trade account receivable due to a customer's bankruptcy. The bankruptcy occurred suddenly due to a natural disaster 10 days after Zero's balance sheet date but 1 month before the issuance of the financial statements. Under these circumstances, which of the following must occur:

- ______ The loss must be recognized in the financial statements, and the event requires a financial disclosure.
- ______ The loss must be recognized in the financial statements, but the event does NOT require a financial disclosure.
- ______ The loss is NOT recognized in the financial statements, and the event does NOT require a financial disclosure.
- ______ The event requires a financial disclosure, but the loss is not recognized in the

financial statements.

18. Conceptually, interim financial statements can be described as emphasizing

- ______ Timeliness over reliability.
- ______ Reliability over relevance.
- ______ Relevance over comparability.
- ______ Comparability over neutrality.

19. For interim financial reporting, an extraordinary gain occurring in the second quarter should be

- ______ Recognized ratably over the last three quarters.
- ______ Recognized ratably over all four quarters with the first quarter being restated.
- ______ Recognized in the second quarter.
- ______ Disclosed by note only in the second quarter.

20. Because of a decline in market price in the second quarter, Petal Co. incurred an inventory loss, but the market price was expected to return to previous levels by the end of the year. At the end of the year, the decline had not reversed. When should the loss be reported in Petal's interim income statements?

- ______ Ratably over the second, third, and fourth quarters.
- ______ Ratably over the third and fourth quarters.
- ______ In the second quarter only.
- ______ In the fourth quarter only.

Instructions for Submitting Answers Online:

- *Sign In at www.ApexCPE.com*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

If you have any questions, please call us at 800.273.9619

or send an email to support@apexcpe.com

800.273.9619